



FISCAL MEMORANDUM

HB 431 - SB 626

March 28, 2023

SUMMARY OF BILL AS AMENDED (006586): Reduces the maximum amount of aviation fuel taxes paid by a commercial aircraft carrier from \$5,000,000 to \$3,000,000 in FY23-24 and to \$1,000,000 in FY24-25 and subsequent years

FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Expenditures – \$2,629,100/FY23-24
\$10,609,700/FY24-25 and Subsequent Years**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-217(a), the aviation fuel tax equals 4.25 percent of aviation fuel purchased, used, consumed, or stored in Tennessee.
- Pursuant to Tenn. Code Ann. § 67-6-103(b), aviation fuel taxes are allocated to the Transportation Equity Trust Fund and must be used by the Department of Transportation for programs and activities related to railways, aeronautics, and waterways.
- Pursuant to Tenn. Code Ann. § 67-6-217(c), the Transportation Equity Trust Fund must be reimbursed for any decrease in aviation fuel tax revenue resulting from any public act passed by the General Assembly after January 1, 2021, in an amount equal to the estimated decrease in tax revenue as reflected in the fiscal note prepared for such legislation by the Fiscal Review Committee. Such reimbursement must be made from the General Fund, subject to the appropriation by the General Assembly in the annual General Appropriations Act.
- Based on information from the Federal Aviation Administration regarding total jet fuel and aviation fuel consumed by civil aviation aircraft in the U.S., air carriers consume approximately 90.9 percent of aviation fuel in the U.S.
- Based on information provided by the Department of Revenue (DOR), total FY21-22 collections for aviation fuel in Tennessee were \$31,024,928.
- This legislation decreases the cap on the maximum amount of aviation fuel taxes that must be paid by a commercial aircraft carrier with a transportation hub in this state.
- The amount of aviation fuel taxes paid by any commercial taxpayer is considered confidential.
- Based on information provided by the Department of Revenue, this legislation will result in an increase in state expenditures as follows:
 - \$2,629,100 in FY23-24; and
 - \$10,609,661 in FY24-25 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jb